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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Report of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries on its First Session

held at the Palais des Nations, Geneva,
from 26 to 30 October 1992

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INTRODUCTION

1. The Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries, established in accordance with paragraph 70 of the Cartagena Commitment, held its first session at the Palais des Nations, Geneva, from 26 to 30 October 1992. In the course of the session, the Standing Committee held four plenary meetings. 1/

Opening statements

2. The Chairman stated that the overall objective of the Committee had been clearly spelled out in the terms of reference agreed upon by the Trade and Development Board at the second part of its thirty-eighth session (21 April to 7 May 1992). The Committee's main task was to translate the various elements in the terms of reference into the specific tasks which would constitute its work programme over the next four years. The extensive work on services conducted within UNCTAD over the past decade would serve as a good foundation. It was clear that the participants at UNCTAD VIII had envisaged the work of the Committee as being complementary to efforts under the Uruguay Round to establish a legal framework for pursuing the progressive liberalization of trade in services. He was certain that the Committee could devote its energies to assuring the increased participation of developing countries in world trade in services without fear of duplication of effort. He then put forward five major objectives for the work of the session: to translate each of the items in the terms of reference into specific tasks; to agree on a programme for carrying out this work; to determine the extent to which Governments themselves would be prepared to contribute to the technical work of the Committee; to identify items suitable for work by expert groups; to agree on modalities for a more active involvement of non-governmental actors, particularly the enterprise sector. The formal debates during the session were expected to draw out country-specific interests which would guide this work. The informal discussions would allow flexibility in dealing with particular concerns. However, it should be borne in mind that the main purpose of the exercise was to provide countries with viable development policies. To this end, he hoped that the "Spirit of Cartagena" would continue to guide the work of the Committee.

3. The Deputy Secretary-General of UNCTAD said that in establishing a Standing Committee on Developing Services Sectors, the Eighth Session of the United Nations Conference on Trade and Development (UNCTAD VIII) had recognized the strategic role of services for the development process. The subject was not new to UNCTAD. Since its inception, UNCTAD had been involved in specific service sectors such as transport, insurance and financing related to trade. Service issues had also been addressed in the context of UNCTAD's work on transfer of technology and restrictive business practices. UNCTAD's role had progressively moved towards treating the subject in terms of the development process, including trade in services and liberalization of trade

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1/ For the terms of reference of the Standing Committee on Developing Service Sectors, see Trade and Development Board decision 398 (XXXVIII) annex B.

in services for the developing countries. The Trade and Development Report, 1988 and the UNCTAD VIII Analytical Report by the UNCTAD secretariat to the Conference (TD/358) constituted a synthesis of this work. In addition to general analyses, the UNCTAD secretariat had also undertaken country and sectoral studies. This was done in the context of technical assistance provided to interested countries for assessing the importance of the services sector to economic development. UNCTAD VIII had considerably strengthened the mandate in this area, as reflected in the comprehensive and detailed terms of reference of the Standing Committee on Developing Services Sectors. These action-oriented terms of reference covered both general and specific aspects regarding promotion of competitive service sectors.

4. With a view to setting the best action course, the Committee would need to take an innovative approach aimed at the active collaboration of Governments, experts, representatives of the private sector and the secretariat. The terms of reference called for a comparative analysis of national policies for the promotion of the services sector and Governments had a unique contribution to make to this endeavour. Complex technical subjects such as access to information and distribution channels implied close collaboration with the private sector and the scientific community. The secretariat had accumulated considerable experience in this area through its technical assistance activities and hence attached great importance to the contribution of the private sector and experts to the work of the Committee. If the present session were to decide on establishing groups of experts charged with analysing some of the more complex issues that arose in this sector, these groups could prepare material for intergovernmental discussion. The Cartagena Commitment (in para. 59) called for close collaboration between the Standing Committee and other institutions involved in the services sector. For this delicate but important collaboration, consultations and cooperation would have to be intensified if the benefits were to be reciprocal. The secretariat was prepared at the request of Governments to undertake studies and analysis for future deliberations, calling on the private sector, non-governmental organizations and academic expertise as needed. As the Chairman had already stated, at its first session the Committee was expected to review each element of the terms of reference and under each point decide on specific action. While beyond doubt a heavy agenda, the work accomplished in informal meetings should allow decisions to be taken which would facilitate the task at hand.

5. The spokesman for the Asian Group (India) stated that paragraphs 177 to 188 of the Cartagena Commitment and the terms of reference for the Standing Committee on Developing Services Sectors had specified a clear mandate for the work on services. Paragraphs 18, 47, 51, 57 and 69 of the Cartagena Commitment were likewise relevant for directing the Committee's course of action. The importance of the development of the services sector in terms of economic growth could not be over-emphasized; like the manufacturing and agricultural sectors, it held benefits for employment, production processes and marketing. The small share of developing countries in trade in services had been highlighted in TD/358. In 1989, world exports and imports of services amounted to US$ 608.5 billion and $483.4 billion, respectively; of those totals, only 20 per cent was accounted for by developing countries; for most of them, in fact, the service sector remained a deficit item.

6. The work of the Standing Committee on Developing Services Sectors could profitably focus on the following: first, human resources development was vital. In the context of services in developing countries, it would be important to review this aspect, with a view to identifying both areas of weakness and strength. A broad range of policies should be examined in terms of assisting developing countries to strengthen their institutional, technological and physical infrastructure regarding services, with emphasis on knowledge-intensive and producer services related to primary and manufacturing sectors and telecommunications. Secondly, sector-specific policy options would have to be analysed with a view to enhancing the capacity of the developing countries to absorb and benefit from information related to a particular service, production, trade or technology. Thirdly, the export of services by developing countries should be examined. Apart from identifying areas of comparative advantage, it would be pertinent to examine their difficulties with increasing such exports. This would include: (i) identifying the necessary policies for greater cooperation with other countries, (ii) analysing questions of access to information networks and distribution channels, and (iii) improving the skills needed for marketing export-competitive industries and labour. Ways to enhance the share of developing countries in specific services where they could have a competitive edge, such as engineering design, construction, tourism, etc., could be covered as well. For engineering and construction services, particular attention should be given to cross-border employment. For the travel industry it would be helpful to have recommendations on how the share of developing countries in the volume of air travel could be enhanced. Ways and means should be sought to improve: (i) the collection and processing of data related to international transactions in tourism; (ii) access to developed country markets; (iii) provision of financial and technical resources for enhancing the competitiveness of the tourism sector in developing countries; and (iv) regional and inter-regional cooperation. Developing countries could make a niche for themselves in data processing and software services; temporary cross-border mobility of highly skilled, semi-skilled and other labour would be very important in this regard as would cooperation on improving telecommunications services.

Chapter I

ESTABLISHMENT OF THE WORK PROGRAMME OF THE STANDING COMMITTEE

(agenda item 3)

7. For its consideration of this item, the Standing Committee had before it the following documentation:

"Issues for consideration in the establishment of the work programme: note by the UNCTAD secretariat" (TD/B/CN.4/2).

8. The representative of Argentina said that the process of internationalization of trade in services, and the growing proportion assumed by the services sector in world trade, called for measures to accelerate the search for ways in which developing countries could increase their participation in international trade in services. To this end, the Standing Committee on Services should diagnose the real needs of developing countries in order to design international policies that could be effectively implemented. Intensive work could be undertaken on the following areas: (a) a study of subsidies in the services sector, including corrective measures; (b) an analysis (complementary to the provisions of the Uruguay Round draft Final Act) of the measures affecting the ability of developing countries to take advantage of the mobility of professionals and specialists across national frontiers to supply services, as well as problems arising from harmonization of qualifications; (c) an analysis of problems of access to information networks and the technology and the distribution channels, to be undertaken in collaboration with experts from the private sector; (d) an analysis of problems in the financial services sector, including access to markets for banking, as well as questions linked to commercial presence and taxation. In proposing this last analysis, it was not intended to increase the particular sensitivity that characterized discussions on the financial sector. These suggestions were to be considered merely indicative, not exhaustive. It was important to hear the views of all members so as to formulate a precise diagnosis of the steps that must be taken in order to increase the participation of developing countries in trade in services.

9. The representative of China said that his delegation attached great importance to the programme of work which would be formulated at the present session thus enabling the Standing Committee to contribute over the next four years to the promotion of the service sectors of developing countries as well as to the growth of their trade in services. Referring to the multilateral framework on trade in services laid down in the Uruguay Round, which would provide the countries of the world with opportunities to participate in the process of liberalizing world trade in services, he noted that more and more countries, especially developing ones, had begun to recognize the growing importance of trade in services in world trade as a whole. While the environment and situation of trade in goods for developing countries were currently unfavourable, the conditions for them in terms of trade in services were even less attractive. The developed countries, with their financial and technological superiority, accounted for over 80 per cent of world trade in services. They also possessed a solid base and vast competitive experience in

the subsectors of finance, telecommunications, technical design, information, transportation, etc. In contrast, the developing countries relied mainly upon tourism and labour for export earnings. The development of their basic service infrastructure was handicapped by a lack of adequate financial resources and technology. In discussing trade liberalization in the Uruguay Round, the developed countries should take into account the special situation of the developing countries and provide them with preferential treatment and improved market access. Recalling UNCTAD's previous work in the area, the various analytical reports prepared by the secretariat in the past few years had served as valuable references. In formulating the Committee's work programme, due attention should be paid to improving and implementing domestic policies as well as to the coordination of international policies and their impact. The Committee, as a multilateral intergovernmental body, should be able to make a big contribution towards creating conditions for international cooperation and promoting the support and assistance of the international community to the developing countries. In this context the developed countries would be expected to assume their responsibilities and obligations not only because of their dominant position in world trade in services and accumulated experience in developing their own service industries, but also because of having the resources and technology to help the others to develop their service industries.

10. China's service industries were rather backward, he said, accounting for only 30 per cent of the country's GNP. However, as an active participant in the Uruguay Round negotiations on trade in services, China was quite prepared to enjoy its rights and to assume its obligations under the new trading system. The current policy of openness and reform pursued by China would promote the development of service industries. The work of the Committee was expected to facilitate the development of service industries in all the developing countries.

11. The spokeswoman for the African Group (Egypt) underlined that the raison d'être of the Standing Committee on Developing Services Sectors was to help create and nurture competitive services sectors in developing countries. Hence there was a need to define and emphasize the role of the developed countries in creating an external environment conducive to the development of services sectors in the developing countries. The second major task of the Committee was to assess the weaknesses and capabilities of the services sectors in developing countries as a whole, with a view to assisting in formulating and designing policy options and alternatives to overcome the weaknesses. Whereas the Uruguay Round should provide a framework for progressive liberalization of trade in services which would expand the participation of developing countries, as stated in paragraph 178 of the Cartagena Commitment and in the Preamble to the General Agreement on Trade in Services, the third major task of the Committee was to identify how the developing countries could enhance their exports of services. Appropriate guidance and policy options at national and international levels were needed to this end. Human resources development constituted the fourth major thrust, with a view to better adaptation to technological advances and information systems. In this connection she referred to paragraphs 9 and 10 of TD/B/CN.4/2 and to paragraphs 1(a) and (d) of the terms of reference of the Committee (TD/B/1323 (Vol.II)).

12. She also made special reference to paragraph 13 of TD/B/CN.4/2, as identifying such crucial sectors for developing countries as infrastructure and other producer services, human resources development, labour and tourism, media and others. There was an urgent need to provide developing countries with appropriate technical assistance in this area. The African Group expected full attention to be given to the needs of the African countries, in accordance with the decision of the Trade and Development Board at its thirty-ninth session and in the interest of the least developed countries in particular.

13. The representative of Japan proposed that the following elements should be taken into account in the work of the Standing Committee on Developing Services Sectors. First, the Committee's tasks should be well defined, with a clear timetable for each activity. The most appropriate work to be initiated would be the review and comparative analysis cited in paragraph 1 (a) of the terms of reference of the Committee. Secondly, his delegation shared the view of the secretariat as to the merit of introducing sectoral specificity into the Committee's work. In this regard, telecommunications would be one of the most appropriate sectors as it was crucial to the development process in the era of a global economy. It would also be useful to convene an expert group to identify sector-specific policy options, on the basis of a sectoral study prepared by the secretariat. Thirdly, as was stated in paragraph 9 of the terms of reference, the Committee should provide a forum for the exchange of experiences among member States so as to enable them to draw appropriate lessons for the formulation and implementation of policies at the national and international levels, as well as for international economic cooperation. Member States, particularly developing countries, should be encouraged to make submissions to the Committee as to their experiences and policies at the national level in developing their services sector. A synthesis of the material prepared by the secretariat and other available information on the role of services in the development process would be useful, and it would contribute to the conduct of the review envisaged in paragraph 1(a) of the terms of reference. An early conclusion of the Uruguay Round would be of critical importance to the development of the services sectors in developing countries.

14. The representative of Chile highlighted the growing importance of services in the world economy. The role of the sector was crucial for developing countries because it could contribute to the growth of other sectors of the economy. Likewise, it had a key function in the strengthening of international trade as well as in promoting the foreign and national investment process for sustainable development. The lack of understanding of the effective role played by services in the development of national economies could lead to decisions being made which would not take into account the medium and long-term potential contribution of services to sustainable development. Inadequate conceptual development in services, ranging from those services which employ unskilled resources as well as high-technology had caused information deficiencies. Traditionally, statistics were highly aggregated, thus reducing their usefulness in decision-making in the context of negotiations regarding services in the Uruguay Round. The diversity of the nature and scope of regulations among different countries had also adversely affected trade and development of the sector. UNCTAD's role should be to

obtain a higher degree of transparency in this sector at national and international levels, so as to help developing countries through technical assistance in formulating policies and internal legislation for developing the basic infrastructure needed to compete internationally and increase their participation in world trade in services. It was fundamental for the Committee to include in its work programme tasks in the field of information, technological cooperation and market access. To attain this objective, the Standing Committee could undertake: (a) work aimed at compiling and diffusing information at the national and international level to permit the disaggregation of statistics by subsector, and a refinement of the classification of services based on the CPC; (b) to study the possibility of setting up a computerized database on barriers to trade in services; (c) technical assistance programmes aimed at improving the capacity of developing countries in particular to utilize existing information; (d) the establishment of programmes for technology transfer aimed at creating mechanisms to permit and promote the transfer of knowledge from developed countries; (e) identification and analysis of subsectors where developing countries possess comparative advantage and of both horizontal and specific barriers to effective access to markets; (f) analysis of the type of legislation and reglementation that govern production and trade in services, experiences with deregulation, as well as adaptation of laws and regulations to stimulate the sector's development; (g) a study of the mechanisms to promote cooperation and trade in services among developing countries at both global and regional levels.

15. The representative of Australia stated that the two main objectives of the Standing Committee on Developing Services Sectors would be to translate elements in the terms of reference into specific tasks and to agree on a programme for carrying out the tasks, including the setting of a provisional agenda for the second session of the Committee. The Australian delegation was particularly conscious of the need to arrive at a work programme capable of completion within four years. Each country had its own priorities in considering the specific task to be inscribed in the Committee's work programme. Therefore, the discussion on this subject could be handled most effectively in informal meetings. The Committee could undertake very useful work to complement the efforts under way in other international forums. The secretariat had already done valuable work on services, as illustrated in the report submitted to UNCTAD VIII. It would be important for the Committee to build on this work by providing clear directions in the work programme, setting appropriate priorities for dealing with the issues to be addressed.

16. The representative of the United States of America said that the main aim of the Standing Committee on Developing Services Sectors would be to provide special expertise in the analysis of the services industries in developing countries. It was essential not to duplicate the work being done in other international organizations. The Committee had a unique and important role to play in the area of services. One objective of the Committee would be to enable developing countries to analyse their services industries, with a view to: (a) allowing developing countries to participate more effectively in the exercise of the GATT activities; (b) to identify services in which developing countries would have competitive advantages both nationally and internationally; (c) to identify measures which developing countries could

take to improve the competitiveness of their services sectors. Specific ideas on UNCTAD's work programme on services would be elaborated in the informal sessions.

17. The representative of the Russian Federation expressed confidence that the services sector, as a principal source of economic growth and job creation, would bring benefits for countries undergoing economic transition. The Cartagena Commitment and the terms of reference drawn up by the Trade and Development Board constituted the foundation for the programme of work of the Committee. In his view, the background note by the secretariat (TD/B/CN.4/2) was a good synthesis of the mandate, although it failed to address in a sufficiently detailed manner the questions raised in its paragraph 32. He cited paragraph 185 (i) of the Cartagena Commitment and paragraph 5 of the terms of reference of the Committee and suggested that the related provisions of the Cartagena Commitment should be adequately incorporated into the Committee's programme of work. His country was ready to transmit communications on its actual national experiences, as suggested in paragraph 32 of TD/B/CN.4/2. Because of UNCTAD's universal nature, not to mention the value of its accumulated experience, his country deemed it inappropriate to exclude an analysis of the problems of economies in transition with respect to the services sector. It would be important to define specific services sectors for consideration in terms of appropriate policy issues. In this connection, the sectors suggested in paragraph 13 of TD/B/CN.4/2 would be adequate. However, the Committee should go beyond simply identifying the sub-sectors and explore actual support at the enterprise level as well. The consideration of regional cooperation should also take up the experience drawn from known cases of such cooperation among countries at different levels of economic development. There was also an interest in creating an information centre on services within the UNCTAD secretariat, in order to fulfil paragraph 2 (e) and 2 (f) of the Committee's terms of reference. In carrying out its task, the Committee should give special attention to the needs of the least developed countries.

18. The representative of Mexico emphasized support for the ideas put forward by previous speakers highlighting the importance of the services sector in international trade and its role in both developed and developing economies. In this respect, there was a need for a detailed analysis of the subject, making the maximum use of existing available resources in other forums; UNCTAD would have to coordinate its work with other organizations: governmental, non-governmental and national. In this task, special attention should be given to prior identification of the most urgent needs from the point of view of the importance of the topic to be treated and the timing of the various undertakings. The following tasks were crucial: to support the effective participation of developing countries in multilateral trade negotiations, allocating the resources necessary for carrying out technical assistance tasks through UNCTAD; and to analyse in detail the impact of subsidies on international trade in services and on the exports of developing countries, in order to identify actions which could be taken at national and international levels to minimize negative effects and to advance the liberalization process.

19. The representative of Austria drew attention to the wealth of areas already set out in the terms of reference of the Committee, on which the future work should be focused. In preparing the work programme for the next

four years, the Committee should concentrate on identifying priorities from among these areas. Given the vastness of the task, the limited time and resources, it would not be advisable to go beyond the terms of reference when setting the specific tasks to be included in the work programme. It was also no coincidence that in the terms of reference of the Committee, reference had been made (in paragraphs 7 and 13) to the need to avoid duplication and overlap of activities with those of other international bodies, particularly within the GATT-Uruguay Round. In its work, the Committee should concentrate on complementing these efforts, for instance by a comparative analysis of country experience in developing countries' service sectors and sector-specific policy options available to them. Areas identified as priorities from among those in the terms of reference should be transformed into operational tasks in order to make efficient use of the work of the Committee and its resources.

20. The European Community and its member States circulated a statement at the session noting that it was both timely and essential to analyse and identify the policy for strengthening the production, export and technological capacity of services sectors in the developing countries. Areas requiring close attention included: review of the development of services sectors in developing countries and comparative analysis of policies; strengthening of the institutional, technological and physical infrastructure relating to services; the impact of progressive liberalization on the development of competitive service sectors; examination of policies and programmes in the context of regional cooperation among developing countries. The Community and its member States were fully determined to contribute to this process in a constructive and cooperative manner. The task before the Committee was to turn an institutional decision into an operational contribution towards fostering competitive services sectors in developing countries. The Committee should be guided in this undertaking by its detailed terms of reference. The secretariat's background note (TD/B/CN.4/2) offered valuable guidance. However, it was advisable to examine further the relevant issues before taking a decision to establish expert groups. An alternative to the creation of such groups would be to call on external experts to present their views directly to the Committee. The Committee could profitably take up at its next session a review of the development of services sectors in developing countries including policies aimed at developing the infrastructure and those aimed at the development of human-resources, knowledge-intensive services, and producer services related to primary and manufacturing sectors and telecommunications (paragraphs 1 (a), (b) and (c) of the terms of reference). Members could be invited to make additional submissions to the Committee. More information was needed on the proposals for additional work by the secretariat.

21. The Community and its member States supported the broad thrust of the secretariat's proposal (TD/B/CN.4/2, para. 10) concerning the information related to services production, trade and technology, but recommended that the relevant experience of the International Trade Centre also be taken into account. While sector-specific work would be appropriate for the Committee in due course, the Community and its member States were not ready at the present session to accept the preparation of sectoral studies or to convene expert groups (as suggested in paragraph 13 of TD/B/CN.4/2). Likewise, they favoured further examination, on the basis of a secretariat submission, of the specific

issues relating to access to information networks and distribution channels. The case for the establishment of a group of experts on these questions had not yet been made, nor was it appropriate to see the movement of persons as essentially a North-South problem; the consequences for the developing countries could be harmful if attention was focused on the export of cheap labour. The "brain-drain" was one such harmful effect. The study of the impact of progressive liberalization on the development of competitive services sectors should also cover the role of services import promotion. The proposal for country submissions on experiences and policies (para. 22 of TD/B/CN.4/2) was acceptable in general; the secretariat should be asked to prepare a synthesis of these submissions, for consideration at the second session of the Committee. Paragraphs 28 and 29 of TD/B/CN.4/2 appeared to be fully in line with the overall objectives of the Committee's work, namely to "complement that of other international bodies while seeking to ensure that no duplication occurs". In the area of laws and regulations, an inventory could be based on a common taxonomy of measures, developed in collaboration with the GATT and other interested organizations. Similarly, work on statistics should be fully coordinated with the GATT, OECD and the United Nations Statistical Office; in this context, the work of the "Voorburg Group" was particularly relevant. A number of issues under consideration should be taken up immediately; decisions on others should be made only when the necessary information was available and should be based on full consensus.

22. The representative of the Organisation for Economic Cooperation and Development (OECD) outlined the OECD activities on services and the related working methods. These activities were described as following two separate but complementary tracks: those conducted by specialized sectoral committees such as the Financial Markets Committee, the Maritime Transport Committee, the Committee for Information, Computer and Communications Policy; and those related to the OECD liberalization instruments, namely the Liberalization Codes and the National Treatment Instrument. These cooperative efforts could range from the simple exchange of information, preparation of analytical studies and/or publications, to formal notification and transparency requirements, policy reviews and the elaboration of policy recommendations. Sectoral committees offered a privileged forum for regular exchange of views on developments in services sectors - be it at the policy or industry level, the airing of issues of concern, the undertaking of comprehensive analytical studies or the organization of special events, notably with representatives from non-member countries and the private sector. The liberalization instruments, which fell under the responsibility of the Committee on Capital Movements and Invisibles Transactions, added an important dimension to this sectoral work by subjecting member countries to the discipline of legally binding obligations and elaborated review procedures. The enlargement of the services provisions in the last decade had relied extensively on the expertise of the sectoral committees. A document covering the terms of reference of these OECD committees and recent OECD publications on services was made available to the meeting.

23. The representative of the General Agreement on Tariffs and Trade (GATT) said that the objective of the General Agreement on Trade in Services was: to establish a multilateral framework of principles and rules for trade in services; to provide for expansion of trade in services under conditions of

transparency and progressive liberalization; to promote the economic growth of all trading partners and the development of developing countries. One aspect was to increase the participation of developing countries in world trade. This was to be facilitated, among other means, through the negotiation of specific obligations with respect to the provision of market access and national treatment for foreign service suppliers while providing for the strengthening of the efficiency and competitiveness of the domestic services capacity of developing countries. Filling the many information gaps relating to services trade in a comprehensive and coordinated manner would make a positive contribution to meeting the objective of the progressive liberalization of trade in services, thereby promoting the economic growth of all trading partners and the development of developing countries. This need had become clear in recent weeks when members of the Services Division of the GATT secretariat visited 25 developing countries, with a further seven missions anticipated in the immediate future, to provide assistance in the technical preparation and revision of offers.

24. The representative of the International Monetary Fund (IMF) said that in the area of statistics, the Fund, by virtue of its mandate, had a particular interest in shaping the methodology and collection of balance of payments statistics. In this work, the Fund had been concerned with striking a balance between the needs of both data compilers and users and had sought to achieve a high degree of compatibility with similar statistical efforts in other international organizations. In the Balance of Payments Manual (5th edition), particular attention had been devoted to broadening coverage of those transactions expected to increase in importance, an aspect directly relevant to services statistics, where considerably greater disaggregation was being included, particularly in the areas of communication, information, and financial services. It also related to the statistical requirements for multilateral negotiations. A clear-cut distinction had been made between international transactions in services and in income. Previously, labour and property income had been grouped together with services other than shipping, travel and transportation, while investment income was covered separately. In the revised treatment, compensation of employees and investment income were covered as a separate major current account component so as to harmonize with the income concept of the System of National Accounts (SNA). This also strengthened the links between balance-of-payments income and capital accounts, of particular interest in the analysis of delivery of services. The increasing demand for more detailed and more accurate statistics on international services transactions reflected the growing importance of the services sector in many economies. Not surprisingly, the services sector also figured importantly in the Fund's policy advice, particularly so with respect to the financial sector, where the need for institution building, deregulation and prudential considerations figured prominently. This was also relevant to the need to promote transparency in respect to both policy formulation and implementation. The points made on policy advice had also been reflected in the growing emphasis on the service sectors in the Fund's technical assistance work, particularly in strengthening of statistical services and in institution building, especially with regard to the banking system.

25. The representative of the International Chamber of Commerce (ICC) - which, as the spokesman of the international business community, had actively participated in UNCTAD VIII - welcomed the Cartagena Commitment's call for closer involvement of the private sector in the work of UNCTAD. ICC's

cooperation with UNCTAD, including in the area of services, had preceded Cartagena by many years, and the increasing recognition by UNCTAD of the constructive role of the private sector in the development process was encouraging. The ICC, with membership in 110 countries, most of them developing, aimed to foster economic growth of all, through a wide range of activities. ICC fully supported the Uruguay Round including the liberalization of world trade in services in the benefits of which all must share; UNCTAD could and should help in ensuring this. In this context, areas of study had been set out in TD/B/CN.4/2, such as the development of human resources, the need of developing countries to benefit more fully from information on services, and the examination of legislation and regulation governing production and trade in services. Attention was drawn to the practical activities of ICC and to the work of its specialized commissions, for example on: financial services; banking; insurance; computing, telecommunications and information policies; marketing, advertising and distribution; air transport; and sea transport. These commissions were in active contact with UNCTAD and other competent international organizations. It would thus seem that there was considerable scope for exploring possible areas of cooperation. Once member Governments of UNCTAD had decided on the work programme, ICC would be quite willing to explore areas where it could usefully and appropriately be of help to the extent resources were available.

Chapter II

PROCEEDINGS OF THE 4TH (CLOSING) PLENARY MEETING

A. Action by the Standing Committee on agenda item 3

26. At the Standing Committee's 4th (closing) plenary meeting on 30 October 1992, the Chairman introduced an agreed draft work programme (TD/B/CN.4/L.2).

27. At the same meeting, the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries adopted its Work Programme as amended (Annex I).

B. Concluding statements

28. The spokeswoman for the African Group (Egypt) reiterated the importance of technical cooperation as a mechanism to build up the capabilities and enhance the contribution of African countries to the services sectors. To this end, technical cooperation needed to be strengthened in developing countries in at least four areas; although the list was by no means to be considered exclusive, it included: assistance with improving the capacity of developing countries to utilize existing information as well as promoting activities involving the participation of services suppliers; assistance in the design of an institutional infrastructure to attract investment in the services sectors, along with transfer of technology; assistance to develop human resources, particularly in the producer services sector; assistance in bilateral and multilateral trade negotiations on services. In future reviews of progress, new areas could be added or elements expanded, depending on the priorities of countries and available resources. Rather than include in the work programme at this juncture an examination of the impact of RBPs on the services sectors, the Intergovernmental Group of Experts on Restrictive Business Practices should be invited at its next session to carry out this analysis which would then be taken up by the Standing Committee on Developing Services Sectors, in accordance with paragraph 6 of its terms of reference. This approach was supported by the Trade and Development Board's decision on priorities which had explicitly stated that the needs of Africa should be fully taken into account in the work programmes of the various Standing Committees and groups.

29. The Chairman referred to the sense of satisfaction which the new Standing Committee should feel in having succeeded - albeit through difficult compromise - in drawing up a detailed and precise work programme. It was equally important to emphasize, he believed, that the Standing Committee's work had been launched in an atmosphere of cooperation and partnership which reflected the spirit of Cartagena. The work programme agreed upon was beyond doubt ambitious. Its implementation would require not only assigning adequate secretariat resources but would also call for close collaboration and support on the part of Governments. Expert advice, particularly from the enterprise sector, would also be crucial. There was a need to establish the credibility of the new Standing Committee as one capable of accomplishing its main objective, namely, providing Governments with elements for the formulation of

policies to improve the competitiveness of their services sectors and increase their share in world trade in services. The cooperation and flexibility shown in the course of the session must continue for these goals to be realized.

30. The spokesman for the Group of 77 (Venezuela) said that the fruitful debate under the expert guidance of the Chairman had been the key to success in establishing the work programme of the Standing Committee. The main objective was to arrive at a competitive services sector in developing countries; it was gratifying to see that this goal was being accomplished through cooperation reflecting both the letter and spirit of Cartagena.

31. The representative of China commended the Chairman for his patience and skill in leading the Standing Committee to adopt a viable programme of work.

32. The spokesman for the Asian Group (India) said that he wished to associate himself with the statement made by Venezuela on behalf of the Group of 77 and also voiced appreciation for the Chairman's efforts in managing to arrive at a meaningful programme of work for adoption by the Standing Committee at its first session.

33. The representative of the Russian Federation expressed gratitude to the Chairman, the UNCTAD secretariat and delegations whose active and constructive cooperation, in the spirit of Cartagena, had enabled the first session of the Standing Committee to establish its work programme. Russia as a country making a due contribution to the budget, being an active member country of UNCTAD, could expect an adequate yield in the field of development of the services sectors, bearing in mind the different level of development of the various countries. It was expected that the activities of the Standing Committee would be carried out in accordance with the work programme and result in an expansion of the services sector in the Russian Federation and in other countries in transition to a market economy. Otherwise, it would be doubtful whether there would be considerable practical interest in the future work of the Standing Committee for all the countries concerned.

34. The spokesman for the European Community and its member States (United Kingdom) said that the spirit of flexibility and cooperation shown during the discussions had been so encouraging that delegations could look forward to building on this very positive experience when the Standing Committee met again in a year's time.

Chapter III

ORGANIZATIONAL MATTERS

A. Opening of the session

35. The first session of the Standing Committee on Developing Services Sectors was opened on 26 October 1992 by the Deputy Secretary-General of UNCTAD.

36. The Deputy Secretary-General of UNCTAD recalled that the pre-sessional executive session of the Board had agreed that the rules of procedure of the main committees of the Trade and Development Board should be applied to the new Standing Committees, albeit in as flexible a manner as possible, when electing the Officers of the Standing Committees, taking into account the principles of equitable geographical distribution. Furthermore, at the closing plenary of the first part of the thirty-ninth session of the Trade and Development Board, it was reaffirmed that so far as the Standing Committees were concerned, the Chairman and other members of the Bureau of each of these committees should be elected at the beginning of each new session and that prior consultations should be held in order to reach agreement beforehand on the membership of the Bureau of each of these new Standing Committees.

B. Election of officers (agenda item 1)

37. At its 1st plenary meeting on 26 October 1992, the Standing Committee on Developing Services Sectors elected its officers as follows:

Chairman:	Mr. Haron bin Siraj	(Malaysia)
Vice-Chairmen:	Mr. M. Singh	(India)
	Mr. K. Khiari	(Tunisia)
	Miss A. Stoddart	(United Kingdom of Great Britain and Northern Ireland)
	Mr. M. Yabunaka	(Japan)
	Mr. V. Kouvchinov	(Russian Federation)
Rapporteur:	Mrs. E. Gonzalez Marrero	(Cuba)

C. Adoption of the agenda and organization of work (agenda item 2)

38. At its 1st plenary meeting on 26 October, the Standing Committee on Developing Services Sectors adopted its agenda, as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Establishment of the work programme of the Standing Committee

4. Provisional agenda for the second session of the Standing Committee

5. Other business

6. Adoption of the report of the Standing Committee to the Trade and Development Board

39. At its 2nd plenary meeting, on 26 October 1992, the Standing Committee decided to convert itself into an informal working group to consider in detail the draft programme of work.

D. Provisional agenda for the second session of the Standing Committee on Developing Services Sectors (agenda item 4)

40. At an informal meeting, the Standing Committee had agreed that the provisional agenda for the second session of the Standing Committee on Developing Services Sectors should be referred to the consultations mechanism of the Secretary-General of UNCTAD, established in accordance with paragraph 83 of the Cartagena Commitment, taking into account the following elements from the Work Programme as a basis. The elements are:

1. Promoting Transparency

   (i) Progress report;

2. Fostering Competitive Services Sectors

   (i) Comparative analysis

   (ii) Specific studies;

3. Technical Cooperation

   (i) Identification of areas where technical cooperation should be strengthened.

41. With regard to the timing of its second session, it was agreed that the Standing Committee would meet in a year's time and that the exact date of the session should be referred to the Informal Group on Calendar Matters.

42. Furthermore, at the informal meeting the Standing Committee had agreed that the issue of possibly convening an expert group or groups should be examined in the context of the deliberations of the Executive Session of the Board when it considers the report of the Standing Committee.

E. Other business

43. There were no points raised under this agenda item during the session.

F. Adoption of the report of the Standing Committee to the Trade and Development Board (agenda item 6)

44. At its 4th (closing) plenary meeting on 30 October 1992, the Standing Committee adopted the draft report of its first session (TD/B/CN.4/L.1 and Add.1) and authorized the Rapporteur to complete the final text as appropriate.

Annex I

WORK PROGRAMME OF THE STANDING COMMITTEE ON DEVELOPING SERVICES SECTORS: FOSTERING COMPETITIVE SERVICES SECTORS IN DEVELOPING COUNTRIES

1. Pursuant to a New Partnership for Development: the Cartagena Commitment, adopted at the eighth session of the Conference, the Standing Committee agreed, on the basis of Board decision 398 (XXXVIII) which sets out in Annex B the terms of reference of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries, on the following work programme for the period up to the next session of the Conference.

Promoting transparency

2. The Standing Committee will:

(a) develop a conceptual framework for the collection and compilation of internationally comparable statistics on all modes of delivery, in particular with regard to commercial presence and movement of natural persons, as well as contributing to the improvement of the CPC in order to adapt it to the specific needs of international trade in services;

(b) collect and disseminate information on measures, including laws and regulations, affecting the access of services and service suppliers to world markets, including a study of the possibility of setting up a computerized database in this regard, with a view to enhancing the service exports of developing countries.

Fostering competitive service sectors

3. The Standing Committee will:

(a) conduct a comparative analysis of services sectors in developing countries; such analysis will: (i) examine the role played by the services sectors in contributing to growth and sustainable development, including an examination of the contribution of the producer services sector in facilitating the competitiveness of goods-producing sectors, and to the economy as a whole; (ii) assess weaknesses and capabilities; and (iii) identify policies to assist developing countries in developing and strengthening their competitive services sectors, including infrastructure relating to services;

(b) facilitate an exchange of experiences with respect to the liberalization of services sectors and the application of laws and regulations aimed at this end, with a view to stimulating the development of these sectors;

(c) analyse ways and means of fostering the market-oriented development of the services sectors including, where appropriate, through deregulation and privatization;

(d) study the impact of subsidies on trade in services, especially on the exports of developing countries;

(e) examine ways of enhancing access to and use of information networks and distribution channels;

(f) examine the role of joint ventures in stimulating the development of services sectors in developing countries and promoting trade in services and their access to technology;

(g) assess the impact of progressive liberalization and of services imports in the development of competitive services sectors; and examine difficulties faced by developing countries which prevent them from increasing their participation in world trade in services;

(h) identify and analyse the possibilities for developing country services exports through temporary movement of persons as service suppliers, be it as sole service providers or as personnel; and analyse the measures affecting their ability to export such services due to barriers to temporary movement of persons across national frontiers to supply services;

(i) analyse ongoing process of recognition and harmonization of qualifications;

(j) identify and analyse policies aimed at the promotion of regional, subregional and interregional cooperation in services; including among countries at different levels of economic development;

(k) in carrying out its work, the Standing Committee would give particular attention to the situation of the least developed countries, and suggest ways and means for improving their capacity.

Strengthening technical cooperation

4. In carrying out the above activities the Standing Committee will identify areas where technical cooperation should be strengthened.

Annex II

MEMBERSHIP AND ATTENDANCE a/

1. The following States members of UNCTAD, members of the Standing Committee, were represented at the session: Afghanistan; Algeria; Argentina; Australia; Austria; Bangladesh; Belgium; Bolivia; Bulgaria; Brazil; Canada; Chile; China; Colombia; Cuba; Czechoslovakia; Democratic People's Republic of Korea; Denmark; Egypt; El Salvador; Finland; France; Germany; Ghana; Greece; India; Indonesia; Iraq; Ireland; Israel; Italy; Jamaica; Japan; Jordan; Lebanon; Madagascar; Malaysia; Mauritius; Mexico; Morocco; Myanmar; Nepal; Netherlands; New Zealand; Nigeria; Norway; Pakistan; Peru; Philippines; Republic of Korea; Romania; Russian Federation; Saudi Arabia; Senegal; Spain; Sri Lanka; Sweden; Switzerland; Tunisia; Turkey; United Kingdom of Great Britain and Northern Ireland; United Republic of Tanzania; United States of America; Uruguay; Venezuela; Viet Nam; Zimbabwe.

2. The following other States members of UNCTAD, not members of the Standing Committee, were represented as observers at the session: Brunei Darussalam; Burundi; Cameroon; Costa Rica; Ecuador; Equatorial Guinea; Namibia; Panama; Portugal; Qatar; Syrian Arab Republic.

3. The following specialized and related agencies were represented at the session: Food and Agriculture Organization of the United Nations; International Monetary Fund; United Nations Industrial Development Organization; United Nations Development Programme. The General Agreement on Tariffs and Trade was also represented.

4. The following intergovernmental organizations were represented at the session: European Economic Community; International Organization for Migration; League of Arab States; Organisation for Economic Cooperation and Development; Organization of African Unity.

5. The following non-governmental organizations were represented at the session: General Category: International Chamber of Commerce; World Confederation of Labour; World Federation of United Nations Associations. Special Category: International Air Transport Association.

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a/ For the list of participants, see TD/B/CN.4/INF.1

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